

# HOUSE BILL REPORT

## HB 1861

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**As Reported by House Committee On:**  
Housing, Human Services & Veterans

**Title:** An act relating to the creation of the Washington future fund trust fund program.

**Brief Description:** Creating the Washington future fund trust fund program.

**Sponsors:** Representatives Stonier, Berry, Macri, Harris, Orwall, Wylie, Simmons, Chopp, Johnson, J., Riccelli, Harris-Talley, Bergquist, Ramel and Frame; by request of State Treasurer.

**Brief History:**

**Committee Activity:**

Housing, Human Services & Veterans: 1/18/22, 1/27/22 [DPS].

**Brief Summary of Substitute Bill**

- Creates the Washington Future Fund Trust Fund to provide a sum of money in a savings and investment account for individuals born into families with limited means for the purpose of postsecondary education, purchasing a home, or starting a business, provided the individual meets certain eligibility requirements and makes a claim for funds at the age of 18 through 30.
- Establishes and prescribes membership of the Washington Future Fund Trust Fund Committee.

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### HOUSE COMMITTEE ON HOUSING, HUMAN SERVICES & VETERANS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Peterson, Chair; Taylor, Vice Chair; Bateman, Donaghy and Leavitt.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Caldier, Ranking

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

Minority Member; Gilday, Assistant Ranking Minority Member; Barkis.

**Staff:** Lena Langer (786-7192).

**Background:**

Washington State Investment Board.

The Washington State Investment Board (WSIB) is an independent Board of Trustees who have a fiduciary responsibility to manage retirement and public fund investments, with an objective to maximize returns at a prudent level of risk for the exclusive benefit of fund participants and beneficiaries. As of September 30, 2021, the WSIB manages \$186.3 billion worth of total assets.

Washington's Birth Rate.

In 2020, there were 81,756 births recorded in Washington. Of these births, 37,412 were Medicaid-related and of this number approximately 20,000 births were covered by the Apple Health for Pregnant Women Program.

Apple Health.

Medicaid is a federal-state partnership with programs established in the federal Social Security Act, and implemented at the state level with federal matching funds. Apple Health is Washington's Medicaid program serving qualifying low-income clients and administered by the Health Care Authority. Apple Health offers a complete medical benefits package to eligible families, children under age 19, low-income adults, certain disabled individuals, and pregnant women.

Baby Bonds.

Connecticut recently enacted a Baby Bonds Program. This program went into effect July 1, 2021, and creates a trust for children born into families enrolled in HUSKY, the state's Medicaid program. Between the ages of 18 and 30, beneficiaries may submit a claim for an allowable expense if they are a Connecticut resident and have completed an approved financial literacy course. The funds may be used to start or invest in a Connecticut business, buy a home in Connecticut, pay for higher education, or save for retirement.

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**Summary of Substitute Bill:**

The Washington Future Fund Trust Fund.

The Washington Future Fund Trust Fund (Trust) is established in the custody of the State Treasurer, comprised of private or public sources, to finance benefits for designated beneficiaries.

Beginning on a designated beneficiary's eighteenth birthday and before the designated beneficiary's thirty-first birthday, a designated beneficiary is eligible to receive the total sum

of the initial investment and investment earnings to be used for an eligible expenditure. Designated beneficiaries may submit a claim for benefits, provided that they:

- are residents of the State of Washington;
- have successfully completed a financial education course or a comparable financial education offering as determined by the State Treasurer; and
- are facing financial hardship.

If the designated beneficiary is deceased before submitting a valid claim or does not submit a valid claim before the designated beneficiary's thirty-first birthday, such accounting shall be credited back to the assets of the Trust.

Trust assets are not considered assets for determining an individual's eligibility for assistance under any program administered by the Department of Social and Health Services (DSHS) or needs-based institutional aid grants offered to an individual at the public educational institutions in the state.

#### Definitions.

Designated beneficiary means an individual:

- who is born on or after January 1, 2024, in Washington;
- whose birth was eligible or subject to medical assistance as described in the statute pertaining to children's affordable health coverage; and
- who is facing financial hardship at the time of making a claim for funds provided by the Trust.

Eligible expenditure means an expenditure associated with any of the following:

- postsecondary education of a designated beneficiary in Washington, including universities, colleges, community and technical schools, trade schools, apprenticeships, and technical certifications and licensures;
- purchase of a home in Washington by a designated beneficiary; or
- the formation of a business in Washington by a designated beneficiary.

Facing financial hardship means having an income less than 215 percent of the Federal Poverty Level.

#### Committee on the Washington Future Fund Trust Fund.

A committee on the Trust (Committee) is established, with the following membership:

- one member of the Senate from each of the two largest caucuses, appointed by the President of the Senate;
- one member of the House of Representatives from each of the two largest caucuses, appointed by the Speaker of the House of Representatives;
- the State Treasurer, or the Treasurer's designee;
- three members representing underrepresented communities and one member representing an economic empowerment organization, appointed by the State Treasurer;

- the Director of the Washington Health Care Authority, or the Director's designee;
- the Executive Director of the Washington Housing Finance Commission, or the Executive Director's designee;
- the Secretary of the DSHS, or the Secretary's designee; and
- the director of the Department of Commerce (Commerce), or the Director's designee.

Appointed members are to serve a two-year term that begins on January 1, 2023. The Committee is chaired by the State Treasurer and staffed by the Office of the Treasurer. The State Treasurer is to convene the initial meeting of the Committee in by June 1, 2023.

Subsequent meetings are to be held as follows:

- annual meetings through 2034;
- semiannual meetings in 2035 through 2039; and
- quarterly meetings in 2040 through 2042.

The Committee is to review the following topics and report to the Legislature on:

- efficient distribution of funds in accordance with the intent of the Trust;
- direct distribution of funds to entities as directed by beneficiaries in accordance with this chapter;
- the adequacy of the definition of financial hardship to achieve programmatic goals;
- the designated beneficiary's use of funds to ensure compliance with program requirements;
- the program's impact on generational wealth inequities based on consulting with experts to study issues of generational wealth inequity and how the program impacts generational wealth inequities;
- an evaluation of fund solvency and performance relative to programmatic objectives and goals; and
- other policy considerations that may arise and be pertinent to the administration of the Trust.

Committee reports to the Legislature as required may include recommendations for legislative action.

Legislative members are reimbursed for travel expenses as provided in statute.

Nonlegislative members are not entitled to be reimbursed for travel expenses if they are elected officials or are participating on behalf of an employer, governmental entity, or other organization. Stipends may be provided to cover the costs of attending meetings including transportation, lodging, and child care, if these costs are not covered by a committee member's employer. Any reimbursement for other nonlegislative members is subject to limitation as provided in statute.

Committee expenditures are subject to approval by the Senate Facilities and Operations Committee and the House of Representatives Executive Rules Committee, or their successor committees. The Committee must report its findings and recommendations to the appropriate committees of the Legislature annually beginning December 1, 2023, through

December 1, 2039, as well as provide a final report by December 1, 2040. The statutory authority for the Committee expires on December 31, 2044.

Office of the State Treasurer.

The State Treasurer may adopt rules to implement the Trust, including rules on technical aspects such as:

- a claims process for receipt of funds including distribution of funds;
- balancing the right of the parent giving birth to opt out of disclosing information while allowing a person who believes oneself to be qualified to be a designated beneficiary having alternative methods of proving eligibility;
- determination of eligibility at the time of the claim;
- implementation of automated eligibility processes for designated beneficiaries where applicable;
- creation of promotional campaigns to increase public awareness of beneficiary eligibility for the program;
- the identification and approval of financial education course offerings or equivalent; and
- other technical considerations that may arise and be pertinent to the administration of the Trust.

Beginning September 1, 2022, and on or before the first day of each subsequent September, the State Treasurer must submit to the Office of Financial Management the total number of Washington births eligible for medical assistance as described in the statute covering children's affordable health coverage in the prior year, for the purpose of legislative appropriation to the Trust.

Washington State Investment Board.

The WSIB has the full power to invest, reinvest, manage, contract, sell, or exchange investment money in the Trust. All investments made by the WSIB are to be made with the exercise of judgment and care required by statute and consistent with the investment policy established by the WSIB. As deemed appropriate by the WSIB, money in the Trust may be commingled for investment with other funds subject to investment by the WSIB. The authority to establish all policies relating to the Trust resides with the State Treasurer. The WSIB is to routinely consult and communicate with the State Treasurer on the investment policy, earnings of the Trust, and related needs of the program.

Health Care Authority.

The Health Care Authority (HCA) must enter into a data sharing agreement with the Office of the State Treasurer to share the necessary data to facilitate the Trust. The HCA must retain client eligibility records for children whose births were covered under medical assistance, as described in the statute pertaining to children's affordable health coverage, until they turn 31 years old. Disclosure is mandatory for the purpose of the Federal Health Insurance Portability and Accountability Act.

### Other Provisions.

All receipts from all sources for the Trust must be deposited into the fund. An appropriation is not required for expenditures and the fund is not subject to allotment procedures under statute. All monies in the fund, property and rights purchased from the fund, and income attributable to the fund are to be held in trust by the WSIB, for the exclusive benefit of the Trust beneficiaries.

The State Treasurer, the Office of the State Treasurer, and the WSIB are not liable to the state, to the Trust, or any other person as a result of their activities relating to this Trust, whether these activities are ministerial or discretionary, except for the willful dishonesty or intentional violations of the law. The State Treasurer may purchase liability insurance for the State Treasurer and the Office of the State Treasurer. The WSIB may purchase liability insurance for its members.

The State Treasurer may receive gifts, grants, and endowments from public or private sources as may be made from time to time, in trust or otherwise, for the use and benefit of the purposes of the Trust. The State Treasurer may expend gifts, grants, and endowments according to their terms.

The Trust must receive its proportionate share of earning based on the Trust's average daily balance for the period.

Any person denied benefits under the Trust program may file a complaint with the State Treasurer. All complaints must:

- be in writing; and
- include the complainant's name, telephone number, mailing address, and a clear and concise description of the alleged error.

The applicant or recipient must file the application for an adjudicative proceeding with the State Treasurer within 90 days after receiving notice of the aggrieving decision unless good cause is shown. Good cause is defined as a substantive reason or legal justification for failing to meet a hearing deadline. Good cause to fail to meet a hearing deadline may include, but is not limited to, military deployment, medical reasons, housing instability, language barriers, or domestic violence.

A technical correction is made to clarify that the Rosa Franklin Legislative Intern Program Scholarship is listed in statute as the Rosa Franklin Legislative Intern Program Scholarship Account.

### **Substitute Bill Compared to Original Bill:**

The definition of "designated beneficiary" is changed to mean an individual:

- born on or after January 1, 2024, in Washington;
- whose birth was eligible for or subject to medical assistance as described in the

- statute pertaining to children's affordable health coverage; and
- who is facing financial hardship at the time of making a claim for funds provided in the bill.

Additional examples of postsecondary education are enumerated in the definition of "eligible expenditure."

The definition of "facing financial hardship" is changed to mean having an income that is less than 215 percent of the Federal Poverty Level.

The Committee is changed in the following ways:

- additional members are added, including the Executive Director of the Washington Housing Finance Commission, or the Executive Director's designee; the Secretary of the DSHS, or the Secretary's designee; and the Director of Commerce, or the Director's designee;
- the Committee must convene its initial meeting by June 1, 2023, instead of in 2029;
- the Committee must review and report to the Legislature on topics including direct distribution of funds to entities as directed by beneficiaries; the adequacy of the definition of financial hardship; the program's impact on generational wealth inequities; and an evaluation of fund solvency and performance relative to programmatic objectives and goals; and
- the Committee must provide annual updates on its progress, including any legislative recommendations to the Legislature beginning December 1, 2023, through December 1, 2040.

The State Treasurer may adopt rules to implement the Trust program, including rules on technical aspects such as:

- a claims process for receipt of funds including distribution of funds;
- balancing the right of the parent giving birth to opt out of disclosing information while allowing a person who believes oneself to be qualified to be a designated beneficiary having alternative methods of proving eligibility;
- determination of eligibility at the time of the claim;
- implementation of automated eligibility processes for designated beneficiaries;
- creation of promotional campaigns to increase public awareness of beneficiary eligibility for the program;
- the identification and approval of financial education course offerings or equivalent; and
- other technical considerations that may arise and be pertinent to the administration of the trust.

Language is added to the section creating the Trust Account, directing all receipts from all sources for the Trust program to be deposited into the Trust; stating that an appropriation is not required for expenditures and the Trust is not subject to allotment procedures; and providing that only the State Treasurer or the State Treasurer's designee may authorize

expenditures from the fund.

A new section is created establishing a complaint review process for anyone denied benefits wishing to appeal the denial.

On or before the first day of each September, beginning September 1, 2022, the State Treasurer shall submit to the Office of Financial Management the total number of Washington births eligible for medical assistance in the prior year for the purpose of legislative appropriation to the Trust.

The appropriation of \$64 million in the fiscal year ending June 30, 2022, is removed.

To share the necessary data to facilitate the Trust program, the Health Care Authority must retain client eligibility records for children whose births were covered under medical assistance, as described in the statute pertaining to children's affordable health coverage, until they turn 31 years old; and disclosure is mandatory for the purpose of the Federal Health Insurance Portability and Accountability Act.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) Lives are set on two different trajectories in Washington. There are over 20 counties in the state where two out of three births are Apple Health-funded births. This bill is an opportunity to inject capital into different parts of the state that would be meaningful to those communities. Wealth is a key factor in determining long term economic stability and opportunities for Washington families. This bill is bipartisan and looks forward to the future for the state. Those in the future will look back and be thankful that they have economic opportunities and the chance to close this economic gap. The cycle of poverty is often inter-generational and difficult to escape. This bill is a step in the right direction.

There is support for the intent of this bill, as the wealth gap is sharp and rising. There are aspects of the bill that need to be strengthened. First, the benefit amount should be progressively structured to intentionally benefit lower wealth households. Second, there should be additional flexibility to allow the Committee to make changes as needed. Third, eligibility should be broadened to better reach low-wealth families. There are also concerns about the time until implementation and the restrictions on the use of funds.

This bill addresses economic insecurity by helping families build generational wealth. The bill creates a small nest egg for people who would otherwise enter adulthood with no access to financial or economic security. For many, this bill would be the first step to having financial security in the ability to pursue postsecondary education, buy a home, or start a business. This bill would provide a pathway for many to become students at our state's community and technical colleges. Washington is in the middle of an affordability and availability housing crisis. The Legislature should use creative approaches to help fix this crisis.

(Opposed) None.

**Persons Testifying:** Representative Monica Stonier, prime sponsor; Walter Kendricks, Commission on African American Affairs; Choi Halladay, State Board for Community and Technical Colleges; Mike Pellicciotti, Washington State Treasurer; Lianna Kressin, Statewide Poverty Action Network; Misha Werschkul, Washington State Budget and Policy Center; Gabriela Quintana, Economic Opportunity Institute; Nathan Gorton, Washington Realtors; and Samuel Martin, Washington for Black Lives.

**Persons Signed In To Testify But Not Testifying:** None.